



Legal entity stand-up and operational readiness



Whether preparing for an asset acquisition or anticipating a stock transaction involving only part of the seller, a disciplined approach to legal entity planning is critical to the success of the transaction and to reaching management's defined organizational goals. A well-defined and structured process in standing up or separating legal entities to further the transaction can decrease overall deal risk and contribute to anticipated synergies. The design and implementation of these processes require cross-functional planning and coordinated efforts.

Legal Entity Stand-up

The details of creating newly-formed legal entities require cross-functional coordination, communication and transparency across the organization and throughout the process. A structured approach includes the identification of legal entity data points that should be tracked across all functions to potentially achieve Day 1 readiness targeted by the overall transaction.

Legal Entity Operational Readiness

Difficulties surrounding legal entity separation planning are generally cross-functional. Whether it is identifying issues around separating legal contracts, employees, tax registrations, or other key legal entity data points, the process requires collaboration across all functions.

KPMG's Approach and Value Proposition

Leveraging our prior experience and observations and employing proprietary tools, KPMG's structured approach aligns cross-functional stakeholders and identifies potential issues and mitigation strategies at the early stages of the transaction to facilitate quick issue resolution.

Cross-functional Coordination

Sample Legal Entity Data Points

- **Corporate and PMO:** Company type, Country, Segment, Status, Priority, Address, Signatory approval
- **Legal:** Registration filings, Officers, Legal entity classification, Date of formation, Contracts, Initial capital contribution
- **HR:** Employees, Visas, Independent contractors, Mobile employment, EH&S permits, Payroll, FICA, 401(k), Workers' compensation, Labor agreements
- **Finance:** Bank accounts, Invoicing, Intercompany accounts, Solvency, Treasury, Approvals, Interest payments
- **Tax:** Tax ID, Local country classification, Exemption certificates, VAT, TOGC, Credit/Incentive agreements
- **Trade and Customs:** Purchase orders, Importing/exporting IDs and permits, IP (own or license)
- **Property:** Real estate owned, Leased, Sublet, transfer tax
- **IT:** ERP, Financial reporting (internal/external), Management reporting

Sample LEOR Leading Practices

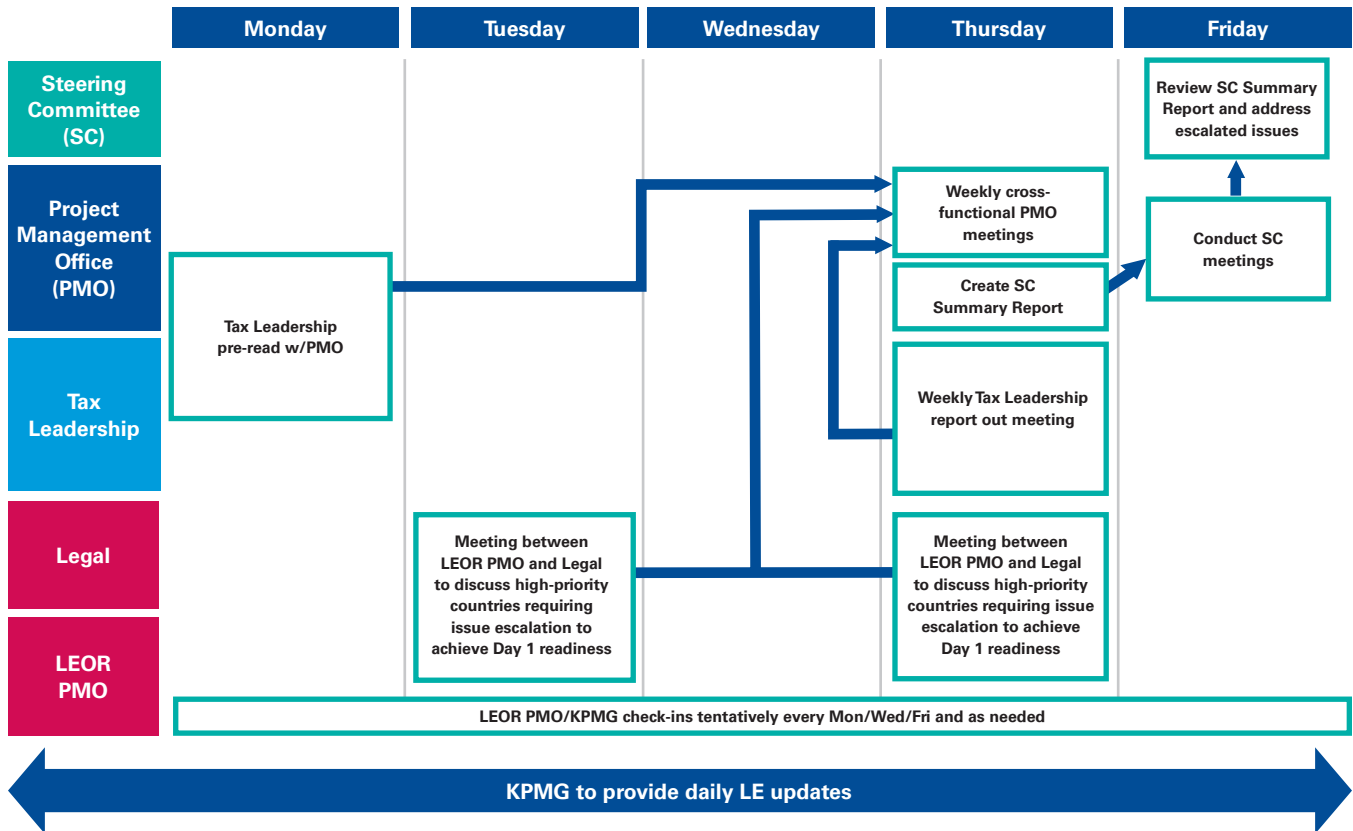
- **Develop global legal entity operational readiness (LEOR) matrix** to consolidate and centralize LE reporting and prioritize resources
- **Initiate external service provider MSA** for services below a certain threshold for modified agreements to accelerate global service contracting and minimize delays (e-mail acceptance and modifications)
- **Escalate bank account formation timelines** through service provider consolidation, leveraging increased bargaining power and relationships
- **Consolidate global and cross-functional questionnaires** for various registration services to avoid duplication of asks
- **Streamline coordination with legal team** by developing standardized process for communication of newly formed entities, including legal entity data and attributes
- **Aggregate “ShelfCo” attributes** in standardized matrices
- **Conduct preliminary analysis of company directors and officers** in each jurisdiction (required vs. existing) and quick identification of external support or mitigation strategies to avoid formation or operational readiness delays
- **Establish weekly reporting cadence** across LEOR team, legal, third-party providers and other functions
- **Establish formal protocol with internal legal team** for maintenance of LE database (i.e., Blueprint) for real-time updates
- **Assess TSA responsibilities** to avoid internal resource constraints and help minimize escalated costs for acceleration of formation through acquisition of ShelfCos and reliance on third-party services to meet local country requirements (including resident director, physical business address)
- **Streamline local country officer background checks** by collecting all required data in consolidated secure electronic questionnaire and obtaining personal data while establishing formal process for protection and distribution of PII
- **Prioritization of “Day 1” vs. “Day 2” countries** to help minimize risk and properly allocate resources to countries requiring longer lead times—preliminary focus on Day 1 based on associated timelines

LEOR Local Country Process Flow



Sample LEOR Tools & Templates

LE startup—Weekly cadence



Legal Entity Operational Readiness Matrix

Internal ID	Region	Hyperion Code	Company Type	Country of Residence	Entity Name	CE CA	AM CA	Proposed Business to be Transferred	Proposed Local Country Form	Status	Readiness Status	Comments	Priority	Principal Business Address	Contracts	Litigation	JV or other collaboration	Other Misc Operator Issues
1	SA	2293, 2294	Operating	Argentina	Ficor SA IIC	X		Clear-Air	Asset sale to Argentina CA NewCo	On Track	Green		Med					
2	SA	0234, 2275, 2398	Operating	Brazil	Tenneco Automotive Brazil Ltda	X	X	Clear-Air	Asset transfer to Brazil CA NewCo	At Risk	Yellow		High					
3	EMEA	2641	Services	France	Tenneco Automotive Europe Coordination Center			TBD	TBD - Shared services center covering all BU's	Off Track	Red		High					
4	NA	0257, 0259, 0260	Operating	Canada	Tenneco				Asset transfer to Canada RP NewCo	On Track	Green		Med					
5	APAC			China	Tenneco (China)				Demerger of RP business to China RP NewCo	Off Track	Red		Low	25F - Building 4, No. 1000, Haijun Rd, Fintech Innovation Center - Hongqiao East, Shanghai, CHINA 200006 (TBD)				
6	EMEA			Czechia	Tenneco Czechia s.r.o.	X		Clear-Air	Demerger of CA business to Czech CA NewCo	At Risk	Yellow		High					
7	EMEA		Company	France	Tenneco Automotive France S.A.S.	X	X	Ride Performance	Asset transfer to TA NewCo	TBD	Yellow		High					
8	EMEA	2430	Services	France	Tenneco Automotive Services S.A.S.	X	X	Ride Performance	Asset transfer, including the TA France assets, to RP France NewCo	On Track	Green		High					
9	EMEA	2443, 2443, 2450, 2451	Operating	Germany	Tenneco Automotive Deutschland	X	X	Ride Performance	Demerger of RP business to German RP NewCo	On Track	Green		High					

LE data points (grouped by function)

Status: On-track, at risk, off-Track, TBD

Priority: High, Medium, Low

Day 1 Readiness Exec Status Reporting

Exec Status Report

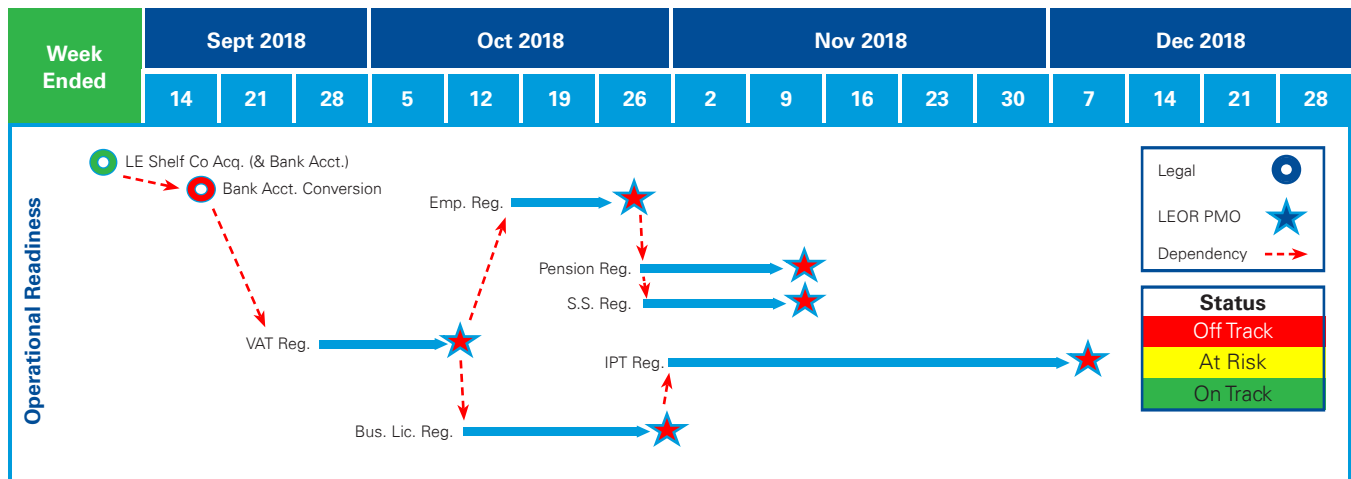
LEOR Standup Readiness



	China	Mexico	India	Spain	USA
Tax	Off Track	On Track	On Track	Off Track	On Track
Legal	At Risk	On Track	On Track	Off Track	On Track
Finance	At Risk	On Track	On Track	On Track	Off Track
HR	At Risk	On Track	On Track	On Track	At Risk
IT	On Track	At Risk	Off Track	On Track	At Risk
Treasury	On Track	On Track	At Risk	On Track	At Risk
Trade & Customs	On Track	On Track	At Risk	On Track	At Risk
Property	On Track	On Track	At Risk	Off Track	On Track
Customers & Suppliers	On Track	Off Track	Off Track	At Risk	On Track
Overall	Off Track	Off Track	On Track	Off Track	At Risk

Status
Off Track
At Risk
On Track

LEOR Timeline—Finland



Step	LE Operational Issue	Mitigation Strategy/Expected Resolution Date
Bank account transfer	Convert bank from Shelf to NewCo	Legal to confirm timing and need for third-party providers, if necessary

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